

ELLIOTT & ELLIOTT, P.A.
ATTORNEYS AT LAW
721 OLIVE STREET
COLUMBIA, SOUTH CAROLINA 29205
selliott@elliottlaw.us

SCOTT ELLIOTT

TELEPHONE (803) 771-0555
FACSIMILE (803) 771-8010

December 31, 2009

VIA E-FILING

Charles L.A. Terreni, Esquire
Chief Clerk of the Commission
SC Public Service Commission
P. O. Drawer 11649
Columbia, SC 29211

RE: Review of Avondale Mills, Incorporated's Rates
Approved in Order No. 2009-394
Docket No. 2009-342-WS

Dear Mr. Terreni:

By correspondence dated December 11, 2009, the Office of Regulatory Staff ("ORS") submitted its reply to the request by Avondale Mills, Inc. ("Avondale") that the Public Service Commission ("Commission") reconsider its Directive of November 19, 2009 ("Directive"). Avondale would herewith reply to the issues raised by the ORS in its correspondence of December 11, 2009.

First, Avondale would reiterate its position that the Directive requiring Avondale to allow its customers having arrearages resulting from their July bills to pay their July arrearages in two (2) equal monthly installments beginning December 2009 constitutes retroactive rate making which is impermissible under South Carolina law. South Carolina Electric & Gas Co. v. Public Service Commission, 275 S.C. 489, 272 S. E. 2d 793 (1980). The ORS suggestion to the contrary is not supported by the evidence or the law of this State

While the ORS concedes Avondale's right to collect all arrearages due it as permitted by law, the ORS refuses to acknowledge that the Directive impairs Avondale's ability to collect delinquent balances. With approximately 10% of Avondale's customers not making a single payment since the June bills, it is clear that a substantial number of Avondale's customers are confused with respect to their obligation to pay or are taking advantage of the confusion created by the Directive.

The ORS further suggests that it is uncertain from Avondale's correspondence of December 19, 2009 as to how payments by customers are credited to their bills. However, Avondale has routinely informed the ORS of the difficulties that Avondale has encountered in collecting its outstanding

customer balances as well as the steps Avondale is taking to collect those balances. Most recently, Avondale representatives met with ORS staff December 9, 2009 to provide a summary of collections. The ORS is aware from Avondale's consultations with its staff and its filing in this matter that cash collections are applied to the oldest outstanding invoice first. The ORS is also aware that Avondale acknowledges the constraints imposed upon it by the Directive in collecting July arrearages. It is important for the Commission to understand that Avondale has met with the ORS and discussed prospectively Avondale's intentions to collect outstanding balances by all lawful means.

The ORS seems to concede that Avondale may credit payment from customers to the oldest invoice first. However, the ORS argues that the Directive requires Avondale to allow its customers until December 31, 2009 to pay one-half of the amount of their July bill and until January 31, 2010 to pay the full amount of their July bill. The ORS interpretation only serves to highlight the confusion created by the Directive. First many customers are current in their payments to Avondale. Surely, the ORS would not suggest that Avondale has over collected these accounts. Nor would one assume that the ORS would suggest that Avondale refund these customers an amount equal to their July billing. More importantly, the Directive, as well as the ORS interpretation, creates a billing nightmare. Would the ORS require Avondale to bill its customers their December bill and half of their July bill? And, were Avondale to do so, would Avondale have any realistic expectation of being paid the correct amount of such a billing? Equally unclear is how Avondale would be permitted to collect an unpaid or partially paid balance.

Last, the ORS requests that the Commission remind Avondale of the importance of completing the transfer of Avondale's water and sewer systems to the Valley Public Service Authority ("Valley") and Aiken County, respectively. Avondale need not be reminded of the importance to it and its customers in completing the transfer of the water and sewer systems to Valley and Aiken County. Avondale representatives participate in status meetings on nearly a weekly basis. Moreover, Avondale paid \$200,000 in December for engineering and legal fees incurred by Valley in their preparations for the transfer of the water system. Indeed, Avondale petitioned the Commission December 10, 2009 to approve Avondale's transfer of its water and sewer systems at such time as the parties satisfy all conditions in any asset purchase agreements. While it appears from its correspondence of December 11, 2009, that the ORS would recommend the transfer of the water and sewer systems to Valley and Aiken County, the ORS request for a Commission reminder serves no constructive purpose but seems designed to divert the Commission's attention from the fact that Avondale is entitled to recover all outstanding balances due it for services provided to its customers up to the date of any transfer of its water and sewer systems.

For the foregoing reasons as well as those set out in its correspondence of December 9, 2009, Avondale would respectfully request that this Commission reconsider its Directive of November 19, 2009, and permit Avondale to take all lawful steps to collect all delinquent accounts in full, including the July 2009 delinquent accounts, without the constraints set out in the Commission Directive.

Sincerely,

ELLIOTT & ELLIOTT, P.A.

A handwritten signature in blue ink, appearing to be 'Scott Elliott', written over the printed name.

Scott Elliott

SE/mlw

cc: Parties of record

CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the pleading to the persons indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: Review of Avondale Mills, Incorporated's Rates
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DOCKET NO.: 2009-342-WS

PARTIES SERVED: Jeffrey M. Nelson, Esquire
Shealy Boland Reibold, Esquire
Office of Regulatory Staff
P. O. Box 11263
Columbia, SC 29211

Michael Hunt
509 Laurel Drive
Graniteville, SC 29829

Joe A. Taylor
105 Laurel Drive
Graniteville, SC 29829

PLEADING: Correspondence dated December 31, 2009


Marcia W. Walters
Legal Assistant

December 31, 2009